

## MINUTES

BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEES' RETIREMENT FUND  
143 West Market Street, Suite 500  
Indianapolis, IN 46204

September 7, 2001

### Trustees Present

Richard Doermer, Chair  
Nancy Turner, Vice Chair  
Jonathan Birge  
Steven Miller

### Trustees Absent

Teresa Ghilarducci

### Others Present

Mike Gery, Executive Assistant to the Governor  
Diana Hamilton, Special Liaison to the Governor for Public Finance  
Stephanie Rhinesmith, Indiana Development Finance Authority  
Caroline Aboutar, William M. Mercer Investment Consulting  
Micah Fannin, William M. Mercer Investment Consulting  
Mary Beth Braitman, Ice Miller  
Richard Boggs, Burnley Associates  
Karen Franklin, National City Bank  
Phil Conklin, Retired Indiana Public Employees Association  
Bill Murphy, Retired Indiana Public Employees Association  
Don Hilt, PERF Retiree  
E. William Butler, PERF Executive Director  
Patricia Gerrick, PERF Chief Investment Officer  
Joe Duncan, PERF Investment Analyst  
Diann Clift, PERF MIS Director  
Ed Gohman, PERF Legal Counsel  
Patrick Lane, PERF Director of Communications  
Doug Mills, PERF Chief Financial Officer  
Jim Osborn, PERF Project Director  
Kenneth Stoughton, PERF Director of Human Resources  
Linda Stahl/Lynda Duncan, Recording Secretary

## ITEMS MAILED TO THE BOARD PRIOR TO MEETING

- A. Agenda of August 13, 2001 Meeting
- B. Minutes:
  - June 26, 2001 Board of Trustees Meeting
- C. Reports, Summaries, Memorandums and/or Letters Concerning:
  - Legislators' Defined Contribution Plan Loans

Prior to today's meeting, an alternative investments educational session was conducted for the Board of Trustees (report on file). The regular meeting of the Board then followed.

A quorum being present, the meeting was called to order.

### 1. MINUTES APPROVAL

**MOTION** duly made and carried to approve the Minutes of the August 13, 2001 meeting of the Board of Trustees.

*Proposed by: Jonathan Birge*  
*Seconded by: Nancy Turner*  
*Votes: 4 for, 0 against, 0 abstentions*

### 2. DISCLOSURES

Richard Doermer – Bank One stock ownership.

### 3. ADMINISTRATIVE

Executive Director's Report:

Staff Introductions/Farewells

Mr. Butler bid farewell to Linda Stahl, Recording Secretary, who will transfer to the Police & Fire Department after 11 years as Administrative Assistant to the Director.

Mr. Butler introduced Mr. Doug Mills who joins the PERF Staff from the Macmillan Publishing Company, as the new Chief Financial Officer.

Actuarial Audit Update

Mr. Butler reported that PERF is working with the Mercer Audit Team to draft the Request for Proposal (RFP). One of the issues to be resolved is how to take account of the data deficiencies revealed by Navigant (PERF's data clean up

consultant). Navigant has provided a recap of the data picture to Mercer and this has caused them to reconsider their recommendations. Mercer has now gone back to the drawing board to produce a new draft of recommendations as to how the RFP should be drafted and data included. Doug Todd of Mercer who is preparing evaluations for the five plans, which have fiscal years ending June 30, will provide a schedule of projects. This evaluation schedule will be matched up with the RFP and a draft will be provided in due course.

#### Legislators' Loan Program

Copies of documentation relating to the Legislators Loan Program were provided as follows:

- Proposed Rule (LSA Document #01-196). This sets up plan loan procedures for making loans to participants from the legislators' defined contribution plan;
- Application form for Loan Legislators' Defined Contribution Plan;
- Legislators' Defined Contribution Plan Loan Agreement;
- Legislators' Defined Contribution Plan – Promissory Note.

Teresa Ghilarducci had asked the Executive Director to speak on her behalf concerning an information piece relating to a loan program from a defined contribution program. She considered that this information should be provided to those contemplating using such a loan facility. Jim Osborn advised that another information article had been found which described some of the issues involved with borrowing from one's own 401K Plan. It was noted that loans of this nature could present a different set of economic rules, to include redistribution of paybacks. Ms. Turner asked if this loan facility might spread beyond the legislators. Mr. Butler noted that this could involve 140,000 new borrowers. Apart from the administrative issues, not only booking and tracking loan activity, there is also the issue of redistribution of paybacks over the account choices. This would raise some significant issues for PERF. This item was left open for discussion at the next board meeting and it was agreed to proceed with the program under the current set of documents.

#### Space Planning.

PERF is accepting bids from contractors for the renovation in Building 125 to accommodate present and future staff. It is anticipated that work will be completed in October 2001. Negotiations are on going with PERF tenants on their exit from Building 143. Departure of the Government Planning Council on the 4<sup>th</sup> Floor would entail a fairly costly buy-out. Non-PERF organizations currently occupy the entire 3<sup>rd</sup> floor and half of the 4<sup>th</sup> floor. The third floor has 2 leases which are coming to term and third which has been fully amortized.

Information Technology Update. All projects are on track. Plans are underway to train staff and prepare for testing which will commence in December.

Telecommunications. Five bids have been received from vendors for the telecommunications equipment. These range in price from \$70,000 – \$180,000.

Backfile Conversion project is on schedule with the goal of 10 boxes a day being met. Document shipping should be complete by February 2002 and quality assurance accomplished 30 days thereafter. This does not account for anything that PERF may wish to scan which is not already included in the original contract, i.e. legal documents. However, an amendment could be made to the contract since production was already up and running. Approximately 5.5 Million pages have been scanned. The SIRIS system will be fully operational in March 2002. All the business operations were being migrated to the SIRIS system. The IRIS system will be shutdown and kept in reserve and ready to come back on line in 24 hours as required.

Rewiring of Building 125 for computer installation will be completed in September 2001.

#### 4. BENEFITS

a. Retired Public Employees Organization (RIPEA) Presentation. The Director of RIPEA, Mr. Bill Murphy, provided an overview of the RIPEA program. RIPEA is a not-for-profit organization, which was created in 1972 by legislation. It is governed by a Board of Trustees comprised of retirees of PERF (12 members). Board membership includes three former Mayors and two former legislators. The RIPEA mission includes:

- Publication of a quarterly newsletter to inform members of matters of interest to them;
- Endorsement of sponsorship for different insurance programs for retirees and/or spouses;
- Lobbying of Indiana legislature in order to improve the standard of living of the retirees in gaining cost-of-living increases for retirees.

RIPEA is totally supported by membership dues (\$10 per year).

Effort is on going in the area of benefits increases. In 23 of the previous 26 years, there has been some form of benefit increase or a 13<sup>th</sup> check grant. In the past legislative session a 1% cost of living increase was granted. In 2002, RIPEA intends to return to legislature to obtain a catch-up provision.

Approximately 14,000 of PERF retirees receive \$200 or less per month. Every time a benefit increase is granted, legislation must appropriate the necessary dollars to fund the increase.

A foundation was created five years ago to accumulate funds for grants to give to retirees in need. Fifteen grants at \$500 each have so far been given – most were medical related.

Phil Conklin, RIPEA Lobbyist briefed on 2 resolutions:

- Through the Pension Management Oversight Commission, a program was presented and endorsed for adoption of a minimum benefit. For this, legislation was introduced which proceeded to House hearing and subsequently to the Senate. The proposed program stated that if an employee works for 15 years in a PERF program, then the minimum retirement benefit from PERF would be for no less than \$10 a month for each year of service. This issue will be raised again when the Pension Management Oversight Commission meets again in October with the possibility of pursuing this issue. The Board was asked to support the RIPEA proposal and encourage the legislators to accept a \$200 minimum retirement benefit for 15 years of service.
- In PERF's actuarial liability computations each year a 2% benefit increase factor is assumed. The Teachers' Pension Fund does not include this percentage since legislature says that the fund was too well funded to add this amount. The RIPEA proposal is to suggest that authority be given to the PERF Board to implement the 2% Cost of Living Allowance (COLA) which has been built in to its funding mechanism to the assessment process. This means, to grant a COLA of up to 2% in the projected costs given that the COLA has gone up by that amount. This would protect the low-paid members. Therefore the proposal was that the Board possess this authority that would be granted through legislation that would protect the integrity of the assessment system.

The Board was asked to consider these two proposals for possible referral to the Pension Management Oversight Commission. In discussion following the presentation, it was recommended that this should be considered for discussion at another session. It was noted that PERF does not currently have the authority to endorse this recommendation.

b. Benefits Advisory Committee Report.

Benefits Administration and Quality of Service. Navigant is a firm, which has been hired to assist in a data clean up problem. They first assisted in a

problem analysis and have since launched into a pilot program to clean up a certain portion of our database. This project will be completed in March 2002. Most of the work involves finding missing data, e.g. hire and termination dates, dates of birth, etc. Finding the missing data involves a great deal of time and research.

Employer Advisory Group (EAG). Difficulties are being encountered in getting the five employers together who will comprise the core of the employer advisory group, and will provided the definition on how the group will be structured. The importance of setting this group up as soon as possible was stressed.

Staff Development. The Chief Financial Officer position has been filled. Interviews are pending for selection of the Chief Benefits Officer. The selection process for the Internal Auditor position, Outreach Service Manager and Accounting positions (4) are proceeding. With regard to the Call Center Manager position, TRF has been contacted and they have expressed interest in the hardware part of the telephone system package. PERF will proceed with the selection of the Call Center Manager and interviews are being scheduled. It was noted that as recruitment continues, space planning becomes more critical.

Human Resource Policies. Policies are being proposed and submitted to the PERF Legal Officer for review.

Visit to State Teachers Retirement System Call Center, Ohio. The Director provided details of his recent visit to view the hardware and software used in the Call Center of the Ohio State Teachers Retirement System. As previously stated, PERF has requested bids for the provision of new telecom equipment. Coordination of this project, including recruitment of a Call Center Manager was being accomplished in coordination with TRF.

## 5. INVESTMENTS

The Chairman asked if it was necessary to take any action with regard to the investment policy for the Alternative Allocation. After discussion, he requested that the investment staff develop a recommendation for presentation at the October 5 Investment Committee Meeting and for subsequent presentation at the next Board Meeting.

## 6. NEXT MEETING

The next meeting of the Board was previously set for October 12, 2001.

7. EXECUTIVE SESSION

An Executive Session of the Board followed to discuss personnel issues.

8. ADJOURNMENT

There being no further business, the meeting was adjourned.